

<p align="center">2003 - 2004 ANNUAL REPORT</p>

CAPITAL IMPROVEMENT PROGRAM FUNDS (CONT'D.)

Underground Utility Fund

The Underground Utility Program implements City General Plan Goals and Policies, which state that the City should encourage the undergrounding of existing overhead utilities. The fund is used to establish Rule 20B Underground Utility Districts.

Underground Utility Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 1,050	\$ 1,273	\$ 223	21.2%
<i>Expenditure</i>	3,081	2,203	878	28.5%
<i>Fund Balance (est. *)</i>	1,788 *	1,719	(69)	(3.9%)

The positive revenue variance of \$223,000 is the result of higher than anticipated developer in-lieu fees.

The positive expenditure variance of \$878,000 primarily reflects savings in the Underground Utility Program (\$756,000) and Underground Utility Administration (\$86,000) appropriations. Projects are budgeted each year to underground utilities and associated electrical services to city owned facilities, i.e. streetlights and traffic signals, as In-Lieu Fees are collected per street frontage and programmed in a five-year work plan. In 2003-2004, the legislation and design process was slated to begin on the Jackson/Taylor Underground Utility District (\$700,000). This project has been rescheduled to 2004-2005 as a result of utility company resource issues and other City projects being reprioritized and/or rescheduled to maintain an undergrounding schedule of high priority projects such as Redevelopment Agency-funded streetscape projects near the New City Hall.

The 2003-2004 ending fund balance ended the year \$69,000 lower than the estimated level. The negative variance can be attributed to higher than estimated year-end expenditures (\$292,000), partially offset by higher than anticipated developer in-lieu fees (\$223,000). The level of expenditure savings were anticipated to be greater than actually realized in the Underground Utility Program and Underground Utility Administration appropriations, as discussed above. The downward adjustment to the fund balance will not impact the ability to fund projects in 2004-2005 due to the significant ending fund balance in this fund in 2004-2005.